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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
Chairman

JIM IRVIN
Commissioner

WILLIAM A. MUNDELL
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of

Carol Ebdon Garcia
1101 E. Carmelita Drive
Sierra Vista, Arizona 85636

Daniel Joe Garcia
8823 N. 38th Drive
Phoenix, Arizona 85051

Respondents.

DOCKET NO. S-03375A-99-0000

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER FOR RELIEF**

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

For its proposed order for relief, the Securities Division (the "Division") of the Arizona Corporation Commission (the "Commission") alleges that Respondents, Carol Ebdon Garcia ("C. GARCIA") and Daniel Joe Garcia ("D. GARCIA") singularly and in concert, have engaged in acts, practices and transactions, which constitute violations of A.R.S. § 44-1801 et seq., the Securities Act of Arizona (the "Securities Act"). As a result of these violations, Respondents are subject to an Order to Cease and Desist, an Order of Restitution and any other appropriate relief.

The Division alleges as follows:

I.

JURISDICTION

1. The Commission has jurisdiction over these matters pursuant to Article XV of the Arizona Constitution and the Securities Act.

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II.**RESPONDENTS**

2. C. GARCIA'S last known address is 1101 E. Carmelita Drive, Sierra Vista, Arizona 85636.

3. D. GARCIA'S last known address is 8823 N. 38th Drive, Phoenix, Arizona 85051.

4. C. GARCIA and D. GARCIA are married. C. and D. GARCIA do not reside together. They are not legally separated.

5. The Respondents may be collectively referred to as "RESPONDENTS".

III.**FACTS**

6. Each of the preceding paragraphs is incorporated by reference.

7. From in or about June 1993 through June 1999, RESPONDENTS represented to investors, directly or through other persons, that D. GARCIA was awarded \$40 million dollars against the State of Arizona for a medical misdiagnosis judgment. RESPONDENTS asserted that funds were needed to pay D. GARCIA'S attorney to collect the judgment, to pay court costs, to pay a bonding company and for other miscellaneous costs and expenses. No such judgment against the State of Arizona in favor of D. GARCIA exists nor has it ever existed.

8. Beginning in or about June 1993 through June 1999, C. GARCIA and D. GARCIA offered for sale and sold, in concert with other persons and entities, securities within or from the State of Arizona in the form of promissory notes.

9. Neither of the RESPONDENTS was a registered securities dealer or salesman in the State of Arizona. The promissory notes were not registered for sale in the State of Arizona, nor exempt securities, nor offered in reliance upon an available exemption from registration.

10. C. GARCIA and D. GARCIA, together with Charles Shull, John Ebdon, father of C. GARCIA, and Cochise Financial Corp., who are respondents in S-03312A-99-0000, raised at least \$1,000,000 from at least seventy-five investors through the issuance of promissory notes, most of

1 them with short-term maturity dates, in exchange for money. Payment of the promissory notes was
2 to be made from proceeds of the judgment. Very few of the investors have received any payments
3 on their notes.

4 11. Charles Shull, John Ebdon and Cochise Financial Corp., raised most of the money
5 from investors. The money raised from investors was turned over to C. GARCIA and D. GARCIA.

6 12. C. GARCIA signed as maker on at least ten promissory notes. She also signed as
7 co-maker with her father John Ebdon on several promissory notes. John Ebdon was the sole maker
8 on most of the promissory notes.

9 13. D. GARCIA drafted and signed letters promising to pay individuals large sums of
10 money. Per one letter, D. GARCIA agreed to pay John Ebdon \$2.1 million dollars. Per another
11 letter, D. GARCIA agreed to assume debt of \$300,000 owed by John Ebdon to an investor.
12 According to the language in this letter, if the investor was not paid by 3/21/96, "... then you will be
13 granted a lien against the judgment". Payment of these debts by D. GARCIA to these individuals
14 was to be made when money was collected from the alleged judgment against the State of Arizona.

15 **IV.**

16 **VIOLATION OF A.R.S. § 44-1841**

17 **(Offer and Sale of Unregistered / Unauthorized Securities)**

18 14. Each of the preceding paragraphs is incorporated by reference.

19 15. From on or about June 1993 through June 1999, RESPONDENTS offered and/or
20 sold securities in the form of promissory notes, within and/or from Arizona.

21 16. The securities referred to above were not registered under A.R.S. §§ 44-1871
22 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been
23 made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not
24 offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule
25 or order promulgated by the Commission.

26 17. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842**(Transactions by Unregistered Dealers and Salesmen)**

18. Each of the preceding paragraphs is incorporated by reference.

19. In connection with the offers to sell and the sale of securities, RESPONDENTS acted as dealers and/or salesmen within and/or from Arizona, although not registered pursuant to the provisions of Article 9 of the Securities Act.

20. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991**(Fraud in Connection with the Offer and Sale of Securities)**

21. Each of the preceding paragraphs is incorporated by reference.

22. In connection with the offer and sale of securities within and/or from Arizona, RESPONDENTS directly or indirectly: (i) made an untrue statement of material fact, or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) engaged in a transaction, practice or course of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' fraudulent conduct included, but is not limited to: representing to investors that money was needed to pay court costs and fees, attorney costs, fees to a bonding company and other miscellaneous expenses and fees to collect a judgment against the State of Arizona in favor of D. GARCIA, when in fact, no such judgment ever existed; representing to investors that the promissory notes issued to them would be paid at face value from collection of the judgment against the State of Arizona, when in fact, no such judgment ever existed; and by inducing investors to make multiple investments with repeated promises that they would receive a return on their investments in the near future.

23. This conduct violates A.R.S. § 44-1991.

24. RESPONDENTS are jointly and severally liable for the conduct alleged above pursuant to A.R.S. § 44-2003(A).

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against each RESPONDENT:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;
2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including without limitation, a requirement to make restitution pursuant to A.R.S. § 44-2032 and A.A.C. R14-4-308;
3. Order RESPONDENTS to pay the State of Arizona an administrative penalty of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order any other relief that the Commission deems appropriate and authorized by law.

VIII.

HEARING OPPORTUNITY

In accordance with A.R.S. § 44-1972 and A.A.C. R14-4-306, RESPONDENTS are notified that each RESPONDENT is afforded an opportunity for a hearing only by filing a written request for a hearing and cover sheet with Docket Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10 days after service of this Notice. RESPONDENTS are further notified that a cover sheet must accompany all filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

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1 The date set for the hearing shall be within 30 days, but not earlier than 15 days after the
2 request for the hearing has been docketed, unless otherwise provided by law, stipulated by the
3 parties, or ordered by the Commission. Any RESPONDENT who does not request a hearing within
4 the time prescribed is subject to the Commission issuing an order against that RESPONDENT
5 containing such relief as the Commission deems appropriate, including but not limited to the relief
6 requested above.

7 Persons with a disability may request a reasonable accommodation such as a sign language
8 interpreter, as well as request this document in an alternative format, by contacting Cynthia
9 Mercurio-Sandoval, ADA Coordinator, voice phone number (602) 542-0838, e-mail
10 csandoval@cc.state.az.us. Requests should be made as early as possible to allow time to arrange
11 the accommodation.

12 Dated this 12th day of November, 1999.

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15 Mark Sendrow
16 Director of Securities
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